



Jordan School District #717  
Finance Committee Meeting Minutes

Monday, October 28, 2013 at 5:30 PM  
Finance Committee Meeting  
Jordan Public Schools  
500 Sunset Drive; Suite 3  
Jordan, MN 55352

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1. Final Audit Report - 2012-2013

\_\_\_\_\_  
School Board Clerk

\_\_\_\_\_  
Date

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

**DRAFT**

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INDEPENDENT SCHOOL DISTRICT NO. 717  
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INDEPENDENT SCHOOL DISTRICT NO. 717  
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**INTRODUCTORY SECTION**

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**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
BOARD OF EDUCATION AND ADMINISTRATION  
YEAR ENDED JUNE 30, 2013**

**BOARD OF EDUCATION**

Deborah Pauly	Chairperson
Robert Vollbrecht	Vice Chairperson
Sandy Burke	Clerk
Joe Benko	Treasurer
Kevin Brox	Director
Lauren Pedersen	Director
Caroline Carritt	Director

**ADMINISTRATION**

Kirk Nelson*	Superintendent
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\*Retired effective June 30, 2013 and replaced by Matt Helgerson

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Independent School District No. 717  
Jordan, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 717 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 717 as of June 30, 2013, and the respective changes in financial position and budgetary comparison for the General Fund, Food Service Fund, and Community Service Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Independent School District No. 717's 2012 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 9, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress for Postemployment Benefit Plan as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 717's basic financial statements. The Schedule of Changes in Fund Equities, the Uniform Financial Accounting and Reporting Standards Compliance Table, as required by the Minnesota Department of Education, and the Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Changes in Fund Equities, the Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to

the basic financial statements as a whole.

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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2013 on our consideration of the Independent School District No. 717's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 717's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

Austin, Minnesota  
October 21, 2013

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

This section of Independent School District No. 717's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2012-13 fiscal year include the following:

- Overall General Fund revenues were \$16,407,150 as compared to \$16,814,060 of expenses and other financing uses.
- This resulted in a decrease in our General Fund fund balance of \$406,911.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section) and Schedule of Funding Progress for Postemployment Benefit Plan, the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

**District-Wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**District-Wide Statements (Continued)**

The two district-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are shown in one category:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's *funds* – focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

The District's *combined* net position was \$8,968,823 on June 30, 2013. The District's net position increased 9.09% from 2012.

**Table A-1  
The District's Net Position**

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2013</b>	<b>2012</b>	
Current and Other Assets	\$ 8,050,153	\$ 9,509,664	-15.35%
Capital and Non-Current Assets	18,974,454	19,577,281	-3.08%
<b>Total Assets</b>	<u>27,024,607</u>	<u>29,086,945</u>	-7.09%
Current Liabilities	6,483,588	7,806,746	-16.95%
Long-Term Liabilities	11,572,196	13,058,878	-11.38%
<b>Total Liabilities</b>	<u>18,055,784</u>	<u>20,865,624</u>	-13.47%
Net Position			
Net Investment in Capital Assets	6,246,354	5,502,694	13.51%
Restricted	911,324	839,083	8.61%
Unrestricted	1,811,145	1,879,544	-3.64%
<b>Total Net Position</b>	<u>\$ 8,968,823</u>	<u>\$ 8,221,321</u>	9.09%

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**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

**Increase in Net Position**

The District's total revenues were \$20,125,924 for the year ended June 30, 2013. Property taxes and state formula aid accounted for 72% of total revenue for the year. (See Figure A-1.) Another 28% came from operating and capital grants, program revenues and investment earnings. Total revenue exceeded expenses by \$747,502.

**Table A-2  
Change in Net Position**

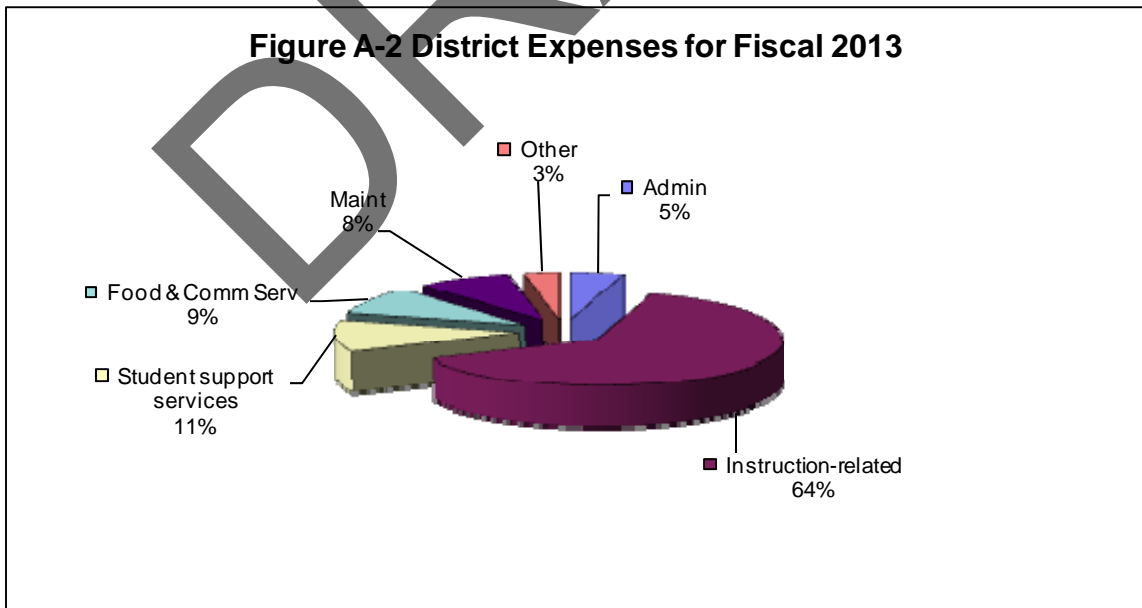
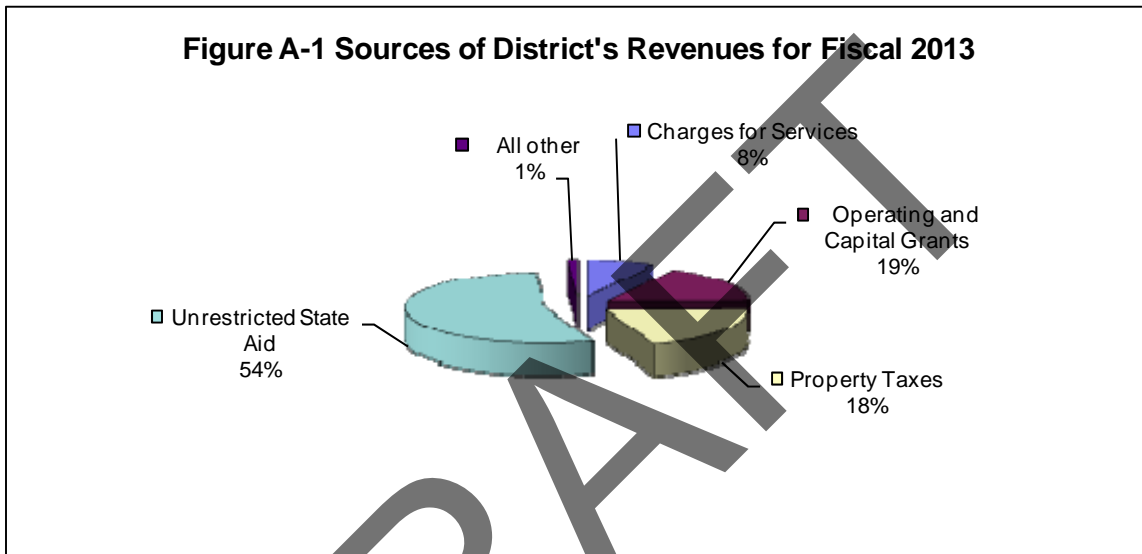
	<b>Governmental Activities for the fiscal year ended June 30,</b>		<b>Total % Change</b>
	<b>2013</b>	<b>2012</b>	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 1,572,511	\$ 1,329,113	18.31%
Operating Grants and Contributions	3,238,966	3,488,624	-7.16%
Capital Grants and Contributions	196,879	175,585	12.13%
<u>General Revenues</u>			
Property Taxes	3,940,129	3,943,872	-0.09%
Unrestricted State Aid	10,960,254	10,123,256	8.27%
Investment Earnings	3,493	4,032	-13.37%
Other	213,692	339,121	-36.99%
Total Revenues	<u>20,125,924</u>	<u>19,403,603</u>	
<b>Expenses</b>			
Administration	904,404	851,210	6.25%
District Support Services	405,222	337,776	19.97%
Regular Instruction	9,150,422	8,611,448	6.26%
Vocational Education Instruction	190,061	157,655	20.56%
Special Education Instruction	2,977,194	2,677,513	11.19%
Instructional Support Services	537,585	486,784	10.44%
Pupil Support Services	1,155,116	1,162,229	-0.61%
Sites and Buildings	1,624,143	1,613,467	0.66%
Fiscal and Other Fixed Cost Programs	57,324	58,103	-1.34%
Food Service	826,626	770,737	7.25%
Community Service	998,055	907,026	10.04%
Interest and Fiscal Charges on Long-Term Liabilities	552,270	593,798	-6.99%
Total Expenses	<u>19,378,422</u>	<u>18,227,746</u>	6.31%
<b>Increase in Net Position</b>	747,502	1,175,857	
Beginning Net Position	8,221,321	7,045,464	
Ending Net Position	<u>\$ 8,968,823</u>	<u>\$ 8,221,321</u>	

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

The cost of all *governmental* activities this year was \$19,378,422.

- State aid and property taxes accounted for most of the District's revenue, with state aid representing 54% and property taxes representing 18% of the total.
- Another 28% came from state and federal aid for specific programs and the remainder from fees charged for services and miscellaneous sources.



**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

Typically the District does not include in an analysis of all governmental funds a breakout of expenditures as depicted in Figure A-2. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the district, which are used for classroom instruction, but also include resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The above graph, by pooling all expenditures, implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option. Therefore, a more accurate analysis of resources allocated to instruction should be limited to an analysis of resources received for the general operation of the District.

**Table A-3  
Change in Net Position**

	<b>Total Cost of Services</b>		<b>Percentage Change</b>	<b>Net Cost of Services</b>		<b>Percentage Change</b>
	<b>2013</b>	<b>2012</b>		<b>2013</b>	<b>2012</b>	
Administration	\$ 904,404	\$ 851,210	6.25%	\$ 904,404	\$ 850,619	6.32%
District Support Services	405,222	337,776	19.97%	403,856	336,679	19.95%
Regular Instruction	9,150,422	8,611,448	6.26%	7,644,554	7,290,391	4.86%
Vocational Education Instruction	190,061	157,655	20.56%	180,132	157,655	14.26%
Special Education Instruction	2,977,194	2,677,513	11.19%	1,320,927	727,755	81.51%
Instructional Support Services	537,585	486,784	10.44%	535,386	484,492	10.50%
Pupil Support Services	1,155,116	1,162,229	-0.61%	1,112,818	1,122,920	-0.90%
Sites and Buildings	1,624,143	1,613,467	0.66%	1,553,704	1,472,251	5.53%
Fiscal and Other Fixed Cost Programs	57,324	58,103	-1.34%	57,324	58,103	-1.34%
Food Service	826,626	770,737	7.25%	(426)	(40,804)	-98.96%
Community Service	998,055	907,026	10.04%	105,117	180,565	-41.78%
Interest and Fiscal Charges on Long-Term Liabilities	552,270	593,798	-6.99%	552,270	593,798	-6.99%
<b>Total</b>	<b>\$ 19,378,422</b>	<b>\$ 18,227,746</b>	<b>6.31%</b>	<b>\$ 14,370,066</b>	<b>\$ 13,234,424</b>	<b>8.58%</b>

- The cost of all governmental activities this year was \$19,378,422.
- The users of the District's programs through fees and other charges financed \$1,572,511 of the cost.
- The federal and state governments subsidized specific programs with grants and contributions totaling \$3,435,845 of the cost.
- State and local taxpayers, however, financed the majority of the costs. State aid and local property taxes as determined by the legislature through the statewide funding formulas amounted to \$10,960,254 in state aid and \$3,940,129 in property taxes for a total of \$14,900,383 of the District's total costs.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

**GENERAL FUND**

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through Grade 12, including pupil transportation activities and capital outlay projects.

Approximately 93% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 68% of personnel expenditures. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

**ENROLLMENT**

Enrollment is a critical factor in determining revenue, with approximately 90% of General Fund revenue being determined by enrollment. The following chart shows that the number of students has increased over the last five years.

**Table A-4  
Five-Year Enrollment Trend  
Average Daily Membership (ADM)**

<b>Grade</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Kdgt. and Pre-Kdgt.	146	154	158	170	142
1-3	366	397	378	390	414
4-6	402	389	384	360	396
7-12	745	753	792	814	809
<b>Total K-12 ADM</b>	<b>1,659</b>	<b>1,693</b>	<b>1,712</b>	<b>1,734</b>	<b>1,761</b>
<b>ADM Change</b>	<b>N/A</b>	<b>34</b>	<b>19</b>	<b>22</b>	<b>27</b>
<b>Percent Change</b>	<b>N/A</b>	<b>2.0%</b>	<b>1.1%</b>	<b>1.3%</b>	<b>1.6%</b>

The District's average daily membership (ADM) in 2012-13 increased by 27 students from 2011-12. The majority of the increase was due to an increase of enrolling first graders. In 2011-12, the number of students in Kindergarten was 140 students, and the enrolling first grade class in 2012-13 was 161 students. We anticipate the growth to continue at about 8-10 students per year.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**GENERAL FUND (CONTINUED)**

The following schedule presents a summary of General Fund Revenues.

**Table A-5  
General Fund Revenues**

	Year Ended		Change	
	June 30, 2013	June 30, 2012	Increase (Decrease)	Percent
Local Sources				
Property Taxes	\$ 1,981,633	\$ 2,033,688	\$ (52,055)	-2.6%
Earnings on Investments	2,114	2,405	(291)	-12.1%
Other	529,759	547,696	(17,937)	-3.3%
State Sources	13,335,271	12,649,203	686,068	5.4%
Federal Sources	558,373	607,413	(49,040)	-8.1%
Total General Fund Revenue	<u>\$ 16,407,150</u>	<u>\$ 15,840,405</u>	<u>\$ 566,745</u>	3.6%

Total General Fund Revenue increased by \$566,745 or 3.6% from the previous year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue, including operating levy referendum and the property tax shift, also involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on total revenue.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6  
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2013	June 30, 2012	Increase (Decrease)	Percent
Salaries	\$ 10,033,154	\$ 9,393,031	\$ 640,123	6.8%
Employee Benefits	2,403,909	2,142,572	261,337	12.2%
Purchased Services	2,809,257	2,943,324	(134,067)	-4.6%
Supplies and Materials	828,068	711,172	116,896	16.4%
Capital Expenditures	346,033	389,146	(43,113)	-11.1%
Other Expenditures	106,930	112,616	(5,686)	-5.0%
Total Expenditures	<u>\$ 16,527,351</u>	<u>\$ 15,691,861</u>	<u>\$ 835,490</u>	5.3%

Total General Fund Expenditures increased \$835,490 or 5.3% from the previous year. The majority of the increase is in the area of salaries and employee benefits. This is due to a significant number of new teachers hired at the start of the 2012-13 school year.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**GENERAL FUND (CONTINUED)**

**General Fund Budgetary Highlights**

The District amended its approved budget by making adjustments to both the revenue and expenditures budget. General Fund actual revenue exceeded the budgeted amount by \$637,275. This was mainly due to more students than anticipated.

General Fund actual expenditures and other financing uses exceeded the budgeted amount by \$556,902. This was mainly due to additional wages and benefits.

**OTHER MAJOR FUNDS**

Revenue exceeded expenditures in the Food Service Fund by \$13,455.

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the Food Service Fund continues to operate on a sound financial basis.

Revenue exceeded expenditures in the Community Service Fund by \$46,382. This was mainly due to a significant increase in Kids Company enrollment.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of fiscal 2013, the District had invested almost \$19.0 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Table A-7.) (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was \$684,255.

**Table A-7  
The District's Capital Assets**

	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Land	\$ 856,859	\$ 856,859	0.0%
Land Improvements	1,018,731	1,018,731	0.0%
Buildings and Improvements	25,205,020	25,195,370	0.0%
Equipment	1,696,104	1,624,326	4.4%
Less: Accumulated Depreciation	(9,802,260)	(9,118,005)	7.5%
<b>Total</b>	<u>\$ 18,974,454</u>	<u>\$ 19,577,281</u>	<u>-3.1%</u>

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Long-Term Liabilities**

At year-end, the District had \$12,620,000 in general obligation refunding bonds outstanding. The district has two refunding bonds with maturity dates of February 2021.

The District also had an estimated \$222,386 in severance benefits payable and compensated absences payable at June 30, 2013, an increase of \$4,263 from June 30, 2012.

**Table A-8  
The District's Long-Term Liabilities**

	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Bonds Payable	\$ 12,620,000	\$ 13,930,000	-9.40%
Capital Leases Payable	108,100	144,587	-25.24%
Other Post Employment Benefits Payable	65,089	150,404	-56.72%
Severance Benefits Payable	189,414	175,373	8.01%
Compensated Absences Payable	32,972	42,750	-22.87%
<b>Total</b>	<u><u>\$ 13,015,575</u></u>	<u><u>\$ 14,443,114</u></u>	<u><u>-9.88%</u></u>

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. The state had an aid payment schedule of 60% / 40% for 2011-12 which increased to an aid payment schedule of 86% / 14% for 2012-13. The future revenues of the District and other Minnesota districts will depend heavily on the future actions of the legislature.

The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent (952-492-6200) at the District Office for Jordan Schools located at 500 Sunset Drive, Jordan, Minnesota 55352.

**BASIC FINANCIAL STATEMENTS**

**DRAFT**

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
STATEMENT OF NET POSITION  
JUNE 30, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Investments	\$ 3,517,213	\$ 2,125,955
Receivables		
Property Taxes	1,964,074	2,145,317
Other Governments	2,514,165	4,983,181
Other	34,108	125,911
Prepaid Items	454	114,030
Inventories	20,139	15,270
Capital Assets		
Land	856,859	856,859
Other Capital Assets, Net of Depreciation	18,117,595	18,720,422
Total Assets	<u>27,024,607</u>	<u>29,086,945</u>
<b>LIABILITIES</b>		
Short-Term Borrowing	-	987,246
Salaries and Payroll Deductions Payable	1,733,604	1,547,445
Accounts and Contracts Payable	90,252	568,507
Accrued Interest	212,360	245,877
Due to Other Governmental Units	89,334	78,694
Unearned Revenue		
Property Taxes	2,831,850	2,989,398
Local Sources	82,809	5,343
Long-Term Liabilities		
Portion Due Within One Year	1,443,379	1,384,236
Portion Due in More Than One Year	11,572,196	13,058,878
Total Liabilities	<u>18,055,784</u>	<u>20,865,624</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	6,246,354	5,502,694
Restricted for:		
Operating Capital Purposes	2,490	8,515
State-Mandated Restrictions	226,441	196,014
Food Service	316,733	303,278
Community Service	118,788	73,016
Debt Service	246,872	258,260
Unrestricted	1,811,145	1,879,544
Total Net Position	<u>\$ 8,968,823</u>	<u>\$ 8,221,321</u>

**JORDAN PUBLIC SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 717  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2013  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

2013

<u>Functions</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Operating Grants and Contributions</u>
<b>Governmental Activities</b>			
Administration	\$ 904,404	\$ -	\$ -
District Support Services	405,222	-	-
Regular Instruction	9,150,422	279,620	1,097,129
Vocational Education Instruction	190,061	-	9,929
Special Education Instruction	2,977,194	60,874	1,595,393
Instructional Support Services	537,585	-	-
Pupil Support Services	1,155,116	-	42,298
Sites and Buildings	1,624,143	-	6,244
Fiscal and Other Fixed Cost Programs	57,324	-	-
Food Service	826,626	472,389	354,663
Community Service	998,055	759,628	133,310
Interest and Fiscal Charges on Long-Term Liabilities	552,270	-	-
Total School District	<u>\$ 19,378,422</u>	<u>\$ 1,572,511</u>	<u>\$ 3,238,966</u>

**General Revenues**

Property Taxes Levied for:  
 General Purposes  
 Community Service  
 Debt Service  
 State Aid Not Restricted to Specific Purposes  
 Earnings on Investments  
 Miscellaneous  
 Total General Revenues  
 Change in Net Position  
 Net Position - Beginning  
 Net Position - Ending

	<b>2013</b>	<b>2012</b>
<b>Revenues</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>
<b>Capital</b>	<b>Total</b>	<b>Total</b>
<b>Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Governmental Activities</b>
\$ -	\$ (904,404)	\$ (850,619)
1,366	(403,856)	(336,679)
129,119	(7,644,554)	(7,290,391)
-	(180,132)	(157,655)
-	(1,320,927)	(727,755)
2,199	(535,386)	(484,492)
-	(1,112,818)	(1,122,920)
64,195	(1,553,704)	(1,472,251)
-	(57,324)	(58,103)
-	426	40,804
-	(105,117)	(180,565)
-	(552,270)	(593,798)
<u>\$ 196,879</u>	<u>(14,370,066)</u>	<u>(13,234,424)</u>
	1,976,608	2,034,514
	126,095	125,038
	1,837,426	1,784,320
	10,960,254	10,123,256
	3,493	4,032
	<u>213,692</u>	<u>339,121</u>
	<u>15,117,568</u>	<u>14,410,281</u>
	747,502	1,175,857
	<u>8,221,321</u>	<u>7,045,464</u>
	<u>\$ 8,968,823</u>	<u>\$ 8,221,321</u>

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013**

**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

	Major		
	General	Food Service	Community Service
<b>ASSETS</b>			
Cash and Investments	\$ 1,736,965	\$ 297,047	\$ 133,556
Receivables			
Current Property Taxes	898,096	-	62,665
Delinquent Property Taxes	39,252	-	2,699
Due from Other Minnesota School Districts	81,938	-	-
Due from Minnesota Department of Education	2,176,929	405	16,879
Due from Federal through Minnesota Department of Education	232,278	4,005	-
Other Receivables	31,818	708	1,582
Due from Other Funds	-	-	-
Prepaid Items	454	-	-
Inventory	-	20,139	-
Total Assets	<u>\$ 5,197,730</u>	<u>\$ 322,304</u>	<u>\$ 217,381</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Short-Term Borrowing	\$ -	\$ -	\$ -
Salaries and Payroll Deductions Payable	1,704,724	1,571	27,309
Accounts and Contracts Payable	81,122	2,598	6,532
Due to Other Governmental Units	89,334	-	-
Due to Other Funds	-	-	-
Accrued Interest Payable	-	-	-
Deferred Revenue:			
Property Taxes Levied for Subsequent Year	913,207	-	64,752
Delinquent Property Taxes	39,252	-	2,699
Local Sources	81,407	1,402	-
Total Liabilities	<u>2,909,046</u>	<u>5,571</u>	<u>101,292</u>
Fund Balance			
Nonspendable			
Prepaid Items	454	-	-
Inventory	-	20,139	-
Restricted for			
Health and Safety	(58,650)	-	-
Deferred Maintenance	185,331	-	-
Operating Capital	2,490	-	-
Basic Skills Programs	41,110	-	-
Safe Schools - Crime	(67,313)	-	-
Community Education Programs	-	-	60,029
Early Childhood and Family Educations Programs	-	-	12,952
School Readiness	-	-	435
Alternative Facilities Program	-	-	-
Other Purposes	-	296,594	42,673
Unassigned	2,185,262	-	-
Total Fund Balance	<u>2,288,684</u>	<u>316,733</u>	<u>116,089</u>
Total Liabilities and Fund Balance	<u>\$ 5,197,730</u>	<u>\$ 322,304</u>	<u>\$ 217,381</u>

Funds		Total Governmental	
Capital Projects	Debt Service	Funds	
		2013	2012
\$ -	\$ 1,349,645	\$ 3,517,213	\$ 2,125,955
-	922,192	1,882,953	2,049,752
-	39,170	81,121	95,565
-	-	81,938	94,487
-	1,731	2,195,944	4,641,885
-	-	236,283	246,809
-	-	34,108	125,911
-	-	-	286,710
-	-	454	114,030
-	-	20,139	15,270
<u>\$ -</u>	<u>\$ 2,312,738</u>	<u>\$ 8,050,153</u>	<u>\$ 9,796,374</u>
\$ -	\$ -	\$ -	\$ 987,246
-	-	1,733,604	1,547,445
-	-	90,252	568,507
-	-	89,334	78,694
-	-	-	286,710
-	-	-	11,452
-	1,853,891	2,831,850	2,989,398
-	39,170	81,121	95,565
-	-	82,809	5,343
-	1,893,061	4,908,970	6,570,360
-	-	454	114,030
-	-	20,139	15,270
-	-	(58,650)	(72,399)
-	-	185,331	180,554
-	-	2,490	8,515
-	-	41,110	15,460
-	-	(67,313)	(14,175)
-	-	60,029	4,268
-	-	12,952	15,965
-	-	435	12,217
-	-	-	(286,710)
-	419,677	758,944	769,409
-	-	2,185,262	2,463,610
<u>-</u>	<u>419,677</u>	<u>3,141,183</u>	<u>3,226,014</u>
<u>\$ -</u>	<u>\$ 2,312,738</u>	<u>\$ 8,050,153</u>	<u>\$ 9,796,374</u>

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR JUNE 30, 2012)**

	<b>2013</b>	<b>2012</b>
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 3,141,183</b>	<b>\$ 3,226,014</b>
<p>Total net position reported for governmental activities in the statement of net position is different because:</p> <p>Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:</p>		
Land	856,859	856,859
Land Improvements, Net of Accumulated Depreciation	242,509	265,789
Buildings and Improvements, Net of Accumulated Depreciation	17,393,453	17,921,483
Equipment, Net of Accumulated Depreciation	481,633	533,150
<p>Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.</p>		
	81,121	95,565
<p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
	(212,360)	(234,425)
<p>Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:</p>		
Bonds Payable	(12,620,000)	(13,930,000)
Capital Leases Payable	(108,100)	(144,587)
Other Post Employment Benefits Payable	(65,089)	(150,404)
Severance Benefits Payable	(189,414)	(175,373)
Compensated Absences Payable	(32,972)	(42,750)
<b>Total Net Position of Governmental Activities</b>	<b>\$ 8,968,823</b>	<b>\$ 8,221,321</b>

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR JUNE 30, 2012)**

	<b>Major</b>		
	<b>General</b>	<b>Food Service</b>	<b>Community Service</b>
<b>REVENUES</b>			
Local Sources			
Property Taxes	\$ 1,981,633	\$ -	\$ 126,705
Earnings on Investments	2,114	339	132
Other	529,759	472,389	806,624
State Sources	13,335,271	28,417	112,498
Federal Sources	558,373	326,246	-
Total Revenues	<u>16,407,150</u>	<u>827,391</u>	<u>1,045,959</u>
<b>EXPENDITURES</b>			
Current			
Administration	927,107	-	-
District Support Services	404,079	-	-
Regular Instruction	8,332,003	-	-
Vocational Education Instruction	186,822	-	-
Special Education Instruction	2,948,758	-	-
Instructional Support Services	515,741	-	-
Pupil Support Services	1,156,681	-	-
Sites and Buildings	1,618,484	-	-
Fiscal and Other Fixed Cost Programs	57,324	-	-
Food Service	-	793,881	-
Community Service	-	-	987,409
Capital Outlay	346,033	20,055	10,000
Debt Service			
Principal	34,319	-	2,168
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>16,527,351</u>	<u>813,936</u>	<u>999,577</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(120,201)	13,455	46,382
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital Lease Proceeds	-	-	-
Sale of Equipment Proceeds	-	-	-
Judgments for School Districts	-	-	-
Transfers In	-	-	-
Transfers Out	(286,710)	-	-
Total Other Financing Sources (Uses)	<u>(286,710)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(406,911)	13,455	46,382
Fund Balances - Beginning	2,695,595	303,278	69,707
Fund Balances - Ending	<u>\$ 2,288,684</u>	<u>\$ 316,733</u>	<u>\$ 116,089</u>

<b>Funds</b>		<b>Total Governmental Funds</b>	
<b>Capital Projects</b>	<b>Debt Service</b>	<b>2013</b>	<b>2012</b>
\$ -	\$ 1,846,235	\$ 3,954,573	\$ 3,948,626
-	908	3,493	4,032
-	-	1,808,772	1,667,036
-	12,725	13,488,911	12,870,618
-	-	884,619	908,021
-	<u>1,859,868</u>	<u>20,140,368</u>	<u>19,398,333</u>
-	-	927,107	861,590
-	-	404,079	339,136
-	-	8,332,003	7,865,219
-	-	186,822	148,577
-	-	2,948,758	2,646,740
-	-	515,741	483,495
-	-	1,156,681	1,154,739
-	-	1,618,484	1,705,256
-	-	57,324	58,103
-	-	793,881	749,017
-	-	987,409	890,014
-	-	376,088	489,697
-	1,310,000	1,346,487	1,255,000
-	<u>574,335</u>	<u>574,335</u>	<u>615,266</u>
-	<u>1,884,335</u>	<u>20,225,199</u>	<u>19,261,849</u>
-	(24,467)	(84,831)	136,484
-	-	-	143,479
-	-	-	17,000
-	-	-	10,024
286,710	-	286,710	-
-	-	(286,710)	-
<u>286,710</u>	<u>-</u>	<u>-</u>	<u>170,503</u>
286,710	(24,467)	(84,831)	306,987
(286,710)	444,144	3,226,014	2,919,027
<u>\$ -</u>	<u>\$ 419,677</u>	<u>\$ 3,141,183</u>	<u>\$ 3,226,014</u>

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)**

	<b>2013</b>	<b>2012</b>
<b>Net Change in Fund Balance-Total Governmental Funds</b>	<b>\$ (84,831)</b>	<b>\$ 306,987</b>

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlays	81,428	350,530
Gain (Loss) on Disposal of Capital Assets	-	(120)
(21,888)	-	(17,000)
Depreciation Expense	(684,255)	(665,273)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.

Other Financing Source - Capital Lease	-	(143,479)
Change in Accrued Interest Expense - Capital Leases	177	552
Principal Payments - Capital Leases	36,487	40,878

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of Bond Principal	1,310,000	1,255,000
Change in Accrued Interest Expense - General Obligation Bonds	21,888	20,916

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.

	(14,444)	(4,754)
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In the statement of activities, certain operating expenses - other post employment benefits, severance benefits, and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

	81,052	31,620
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 747,502</b>	<b>\$ 1,175,857</b>

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 2,170,814	\$ 2,190,342	\$ 1,981,633	\$ (208,709)
Earnings on Investments	3,000	2,000	2,114	114
Other	352,830	433,774	529,759	95,985
State Sources	12,402,576	12,606,688	13,335,271	728,583
Federal Sources	516,651	537,071	558,373	21,302
Total Revenues	<u>15,445,871</u>	<u>15,769,875</u>	<u>16,407,150</u>	<u>637,275</u>
<b>EXPENDITURES</b>				
Current:				
Administration	909,402	921,539	927,107	5,568
District Support Services	332,509	425,337	404,079	(21,258)
Regular Instruction	7,930,630	8,319,405	8,332,003	12,598
Vocational Education Instruction	153,595	104,807	186,822	82,015
Special Education Instruction	2,628,195	2,874,117	2,948,758	574,641
Instructional Support Services	488,751	499,492	515,741	16,249
Pupil Support Services	1,271,861	1,257,652	1,156,681	(100,971)
Sites and Buildings	1,474,074	1,576,458	1,618,484	42,026
Fiscal and Other Fixed Cost Programs	61,617	115,363	57,324	(58,039)
Capital Outlay	169,688	322,989	346,033	23,044
Debt Service				
Principal	12,401	-	34,319	34,319
Total Expenditures	<u>15,432,723</u>	<u>15,917,159</u>	<u>16,527,351</u>	<u>610,192</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,148	(147,284)	(120,201)	27,083
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(340,000)	(340,000)	(286,710)	53,290
Total Other Financing Sources (Uses)	<u>(340,000)</u>	<u>(340,000)</u>	<u>(286,710)</u>	<u>53,290</u>
Net Change in Fund Balances	<u>\$ (326,852)</u>	<u>\$ (487,284)</u>	(406,911)	<u>\$ 80,373</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>2,695,595</u>	
End of Year			<u>\$ 2,288,684</u>	

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources				
Earnings on Investments	\$ 700	\$ 500	\$ 339	\$ (161)
Other - Primarily Meal Sales	464,915	478,010	472,389	(5,621)
State Sources	26,000	26,000	28,417	2,417
Federal Sources	236,201	236,200	326,246	90,046
Total Revenues	<u>727,816</u>	<u>740,710</u>	<u>827,391</u>	<u>86,681</u>
<b>EXPENDITURES</b>				
Current				
Food Service	710,750	792,724	793,881	1,157
Capital Outlay	7,200	20,025	20,055	30
Total Expenditures	<u>717,950</u>	<u>812,749</u>	<u>813,936</u>	<u>1,187</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 9,866</u>	<u>\$ (72,039)</u>	13,455	<u>\$ 85,494</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>303,278</u>	
End of Year			<u>\$ 316,733</u>	

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
COMMUNITY SERVICE FUND  
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 128,150	\$ 128,150	\$ 126,705	\$ (1,445)
Earnings on Investments	250	250	132	(118)
Other - Primarily Tuition and Fees	522,057	704,198	806,624	102,426
State Sources	100,181	102,782	112,498	9,716
Total Revenues	<u>750,638</u>	<u>935,380</u>	<u>1,045,959</u>	<u>110,579</u>
<b>EXPENDITURES</b>				
Current				
Community Service	703,545	849,752	987,409	137,657
Capital Outlay	8,600	13,282	10,000	(3,282)
Debt Service				
Principal		-	2,168	2,168
Total Expenditures	<u>712,145</u>	<u>863,034</u>	<u>999,577</u>	<u>136,543</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 38,493</u>	<u>\$ 72,346</u>	46,382	<u>\$ (25,964)</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>69,707</u>	
End of Year			<u>\$ 116,089</u>	

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2013**

	<b>Private-Purpose Trust</b>
<b>ASSETS</b>	
Cash and Investments	\$ 159,004
Accounts Receivable	1,000
Interest Receivable	597
Total Assets	\$ 160,601
<b>NET POSITION</b>	
Restricted for Scholarships	\$ 160,601
Total Net Position	\$ 160,601

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2013**

	<b>Private-Purpose Trust</b>
<b>ADDITIONS</b>	
Gifts and Donations	\$ 13,141
Earnings on Investments	2,025
Total Additions	15,166
<b>DEDUCTIONS</b>	
Scholarships Awarded	22,801
Total Deductions	22,801
Change in Net Position	(7,635)
Net Position - Beginning of Year	168,236
Net Position - End of Year	\$ 160,601

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Independent School District No. 717 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

**B. Financial Reporting Entity**

Independent School District No. 717 (the District) is an instrumentality of the State of Minnesota established to function as an education institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that the District's financial statements included all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota State Statutes, the District's School Board has not elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are not included in these financial statements.

**C. Basic Financial Statement Presentation**

The District-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the Fiduciary Fund. The Fiduciary Fund is only reported in the Statement of Fiduciary Net Position at the fund financial statement level.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statement Presentation (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Depreciation expenses that can be specifically identified by function are included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the District-wide financial statements.

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type - Private-Purpose Trust. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide statements.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and the accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenue when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

The District reports deferred revenue on its balance sheet – governmental funds. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the District has legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**Description of Funds**

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of each fund included in this report is as follows:

*Major Governmental Funds*

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the district, as well as the capital related activities such as maintenance of facilities, equipment purchases, and health and safety projects.

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements, and state aids.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

Community Service Special Revenue Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes, and state credits.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources used for the acquisition of capital assets, construction or renovation of major capital facilities.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of, general long-term obligation bond principal, interest, and related costs.

*Fiduciary Funds*

Private-Purpose Trust Fund– The Private-Purpose Trust Fund is used to report resources that are to be used for scholarships to support students that continue their education.

**E. Budgeting**

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budgeted amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Cash and Investments**

Cash and investments consist of interest bearing accounts, certificates of deposit, deposits in the Minnesota Trust Investment Shares Portfolio, and deposits in the Minnesota School District Liquid Asset Fund (MSDLAF), and negotiable certificates of deposit. Cash balances from all funds, except the Private Purpose Trust Fund, are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

**G. Receivables**

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivable not expected to be collected within one year are current property taxes receivable.

**H. Inventories**

Inventories are recorded using the consumption method of accounting and consist of food and other supplies on hand at June 30, 2013 and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the U.S. Department of Agriculture.

**I. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

**J. Property Taxes**

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred revenue (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Property Taxes (Continued)**

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy, which is frozen at \$69,070, for the District. Starting in fiscal year 2011, the tax shift was expanded to include all other General and Community Service Fund levies. State aids are then reduced by this expanded shift amount, making this portion of the tax shift revenue neutral to school districts. Certain other portions of the District's 2012 Pay 2013 levy, normally revenue for the 2013-14 fiscal year, are also advance recognized at June 30, 2013, as required by state statute to match revenue with the same fiscal year as the related expenditures.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2013, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**K. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of building or other improvable property.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if material, are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**M. Accrued Employee Benefits**

**Compensated Absences Payable**

Full-time, non-certified employees earn annual vacation pay based on 2,080 annual hours and years of service. All vacation must be used within 6 months after the contract year ends. A liability is recorded for earned, but unpaid, vacation.

**Sick Leave**

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of severance pay upon voluntary termination.

**Severance Benefits Payable**

Upon leaving the employment of the District, employees meeting years of service requirements receive reimbursement for unused accumulated sick leave. Employees are compensated for each unused sick leave day at a set reimbursement rate, with the maximum severance benefit specified in the employment contract. A liability is recorded for all eligible employees.

The District budgets for payments of severance benefits for the ensuing year when it anticipates the retirement of personnel requiring a severance payment. The payment of severance benefits is recorded as a current expenditure in the year of the payment. Expenditures for severance pay made in 2013 were \$41,010. A liability for severance benefits payable totaling \$189,414 is recorded in the Statement of Net Position.

**Other Post Employment Benefits Payable**

Under the provisions of the various employee and union contracts, the District provides health care benefits if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 45, at June 30, 2013.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Deferred Revenues**

Deferred revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported deferred revenues for property taxes levied for the subsequent years and delinquent property taxes, reductions to levy and state aid in subsequent years, and for student account balances available for future meals in the Food Service Fund.

**O. Fund Equity**

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance related to prepaids and inventories. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Superintendent the ability to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts, usually in the General Fund only.

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

The District has a minimum fund balance policy, which identifies a minimum unassigned fund balance in the General Fund of 45 days of current operating expenses.

**P. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

**Q. Net Position**

Net position represents the difference between assets and liabilities in the District-wide and Fiduciary Fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. Summarized Comparative Information**

The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

**A. Excess of Expenditures Over Budget**

Expenditures exceeded budgeted amounts in the following funds:

	Budget	Expenditures	Excess
General Fund	\$ 15,917,159	\$ 16,527,351	\$ 610,192
Special Revenue Fund			
Food Service Fund	812,749	813,936	1,187
Community Service Fund	863,034	999,577	136,543

**B. Interfund Transfers**

Individual fund transfers for the year ended June 30, 2013 are as follows:

Transfer In:	
Capital Projects	Transfer Out: General Fund <hr style="width: 50%; margin: 0 auto;"/> \$ 286,710

The purpose of the transfer is to move Alternative Facility levy revenue into the Capital Projects Fund, to offset prior year project expenditures with the current year levy revenue.

**NOTE 3 DEPOSITS AND INVESTMENT**

**A. Deposits**

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits will not be returned in full. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with Minnesota Statutes the District maintains deposits at financial institutions which are authorized by the School District's Board.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

**B. Investments**

The District may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rated "A" or better
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

At June 30, 2013, the District had the following investments:

**External Investment Pools -**

	<u>Amortized Cost</u>
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 597,326
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	86,894
MN Trust Investment Shares Portfolio	1,431,898
	\$ 2,116,118

The MSDLAF+, MSDMAX, and MN Trust Investment Shares Portfolio are external investment pools not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

**Other Investments –**

	Fair Value
Negotiable Certificates of Deposit	\$ 747,447

The negotiable certificates of deposit are held by PMA Financial Network as temporary investments of the District's available cash.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities to meet cash requirements for ongoing operations. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Type	Total	12 Months or Less
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 597,326	\$ 597,326
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	86,894	86,894
MN Trust Investment Shares Portfolio	1,431,898	1,431,898
Negotiable Certificates of Deposit	747,447	747,447
	\$ 2,863,565	\$ 2,863,565

**Custodial Credit Risk**

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that insurance of all balances held with each investment account. As of June 30, 2013, the investment balances were fully covered by insurance for each brokerage firm.

**JORDAN PUBLIC SCHOOLS  
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**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

**Other Investments (Continued) –**

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the District's investments as rated by Standard & Poors.

<u>Type</u>	<u>Credit Quality Rating</u>
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	AAAm
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	AAAm
MN Trust Investment Shares Portfolio	AAA
Negotiable Certificates of Deposit	N/A

**Concentration of Credit Risk**

The District places no limit on the amount that may be invested with any one issuer or depository. The following is a list of investments which individually comprise more than five percent of the District's total investments:

<u>Type</u>	<u>Amount</u>	<u>Percentage</u>
Negotiable Certificates of Deposit	747,447	26.1%

**C. Balance Sheet Presentation**

The deposits and investments are presented in the financial statements as follows:

Deposits	\$ 812,652
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	597,326
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	86,894
MN Trust Investment Shares Portfolio	1,431,898
Negotiable Certificates of Deposit	747,447
Total Pooled Cash and Investments	<u>\$ 3,676,217</u>
Cash and Investments - Statement of Net Position	\$ 3,517,213
Cash and Investments - Statement of Fiduciary Net Position	159,004
Total Cash and Investments	<u>\$ 3,676,217</u>

**JORDAN PUBLIC SCHOOLS  
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JUNE 30, 2013**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 856,859	\$ -	\$ -	\$ 856,859
Total Capital Assets, Not Being Depreciated	856,859	-	-	856,859
Capital Assets, Being Depreciated				
Land Improvements	1,018,731	-	-	1,018,731
Buildings and Improvements	25,195,370	9,650	-	25,205,020
Equipment	1,624,326	71,778	-	1,696,104
Total Capital Assets, Being Depreciated	27,838,427	81,428	-	27,919,855
Accumulated Depreciation for				
Land Improvements	(752,942)	(23,280)	-	(776,222)
Buildings and Improvements	(7,273,887)	(537,680)	-	(7,811,567)
Equipment	(1,091,176)	(123,295)	-	(1,214,471)
Total Accumulated Depreciation	(9,118,005)	(684,255)	-	(9,802,260)
Total Capital Assets, Being Depreciated, Net	18,720,422	(602,827)	-	18,117,595
Governmental Activities Capital Assets, Net	\$ 19,577,281	\$ (602,827)	\$ -	\$ 18,974,454

Depreciation expense was charged to functions of the District as follows:

<b>Governmental Activities</b>	
Administration	\$ 250
Regular Instruction	645,259
Special Education Instruction	1,914
Instructional Support Services	5,650
Pupil Support Services	4,831
Sites and Buildings	9,490
Food Service	16,861
Total Depreciation Expense, Governmental Activities	<u>\$ 684,255</u>

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5 LONG-TERM LIABILITIES**

**A. Components of Long-Term Liabilities**

The District has issued general obligation school building bonds to refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitation imposed by Minnesota law.

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
12/1/2004	4.00% - 4.15%	\$ 8,100,000	2/1/2021	\$ 745,000	\$ 6,825,000
1/1/2005	4.00% - 4.20%	6,830,000	2/1/2021	625,000	5,795,000
Total General Obligation Bonds				1,370,000	12,620,000
Capital Lease Payable				26,222	108,100
Other Post Employment Benefits Payable				-	65,089
Severance Benefits Payable				14,185	189,414
Compensated Absences Payable				32,972	32,972
				<u>\$ 1,443,379</u>	<u>\$ 13,015,575</u>

**B. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire General Obligation Bonds are as follows:

Year Ending June 30	General Obligation Bonds Payable	
	Principal	Interest
2014	\$ 1,370,000	\$ 508,740
2015	1,415,000	453,940
2016	1,480,000	397,340
2017	1,535,000	338,140
2018	1,595,000	276,740
2019 - 2021	5,225,000	434,215
	<u>\$ 12,620,000</u>	<u>\$ 2,409,115</u>

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**B. Minimum Debt Payments (Continued)**

Annual payments required under capital leases are as follows:

Year Ending June 30,		
2014	\$	34,440
2015		34,440
2016		34,440
2017		22,961
Total Minimum Lease Payments		126,281
Less Amounts Representing Interest		18,181
Present Value of Net Minimum Lease Payments	\$	108,100

**C. Description of Long-Term Liabilities**

**General Obligation School Building Refunding Bonds, Series 2004**

On December 1, 2004, the District issued \$8,100,000 of General Obligation Refunding Bonds, Series 2004. The proceeds of the issue were used to set up an escrow account to refund, in advance of their stated maturities, the future maturities of the District's General Obligation School Building Bonds of 2001A on February 1, 2011. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

**General Obligation School Building Refunding Bonds, Series 2005**

On January 1, 2005, the District issued \$6,830,000 of General Obligation Refunding Bonds, Series 2005. The proceeds of the issue were used to set up an escrow account to refund, in advance of their stated maturities, the maturities of the District's General Obligation School Building Bonds of 2000A on February 1, 2011. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

**Capital Leases Payable**

The District entered into a capital lease for color copiers. The annual principal and interest at a rate of 8.5% are paid by the General Fund and Community Service Fund. Total cost for the capital lease recorded as a capital asset at June 30, 2013 was \$143,479. Total accumulated depreciation on this asset at June 30, 2013 was \$43,044.

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JUNE 30, 2013**

**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**C. Description of Long-Term Liabilities (Continued)**

**Severance Benefits Payable**

Severance benefits payable consists of severance payable to employees upon retirement. Severance has been paid by the General and Special Revenue Funds.

**Compensated Absences**

Employees earn annual vacation pay at rates dependent upon each employee group labor contract. At June 30, 2013, unpaid vacation totaling \$32,972 is recorded in the Statement of Net Position. Vacation benefits have been paid by the General and Special Revenue Funds.

**D. Changes in Long-Term Debt**

	June 30, 2012	Additions	Retirements	June 30, 2013
Bonds Payable	\$ 13,930,000	\$ -	\$ 1,310,000	\$ 12,620,000
Capital Leases Payable	144,587	-	36,487	108,100
Other Post Employment Benefits Payable	150,404	184,660	269,975	65,089
Severance Benefits Payable	175,373	55,051	41,010	189,414
Compensated Absences Payable	42,750	58,077	67,855	32,972
	<u>\$ 14,443,114</u>	<u>\$ 297,788</u>	<u>\$ 1,725,327</u>	<u>\$ 13,015,575</u>

**E. Subsequent Event**

On July 8, 2013 the District entered into a lease purchase agreement for wireless network equipment in the amount of \$169,473. The term of the lease purchase agreement is three years.

**NOTE 6 SHORT-TERM DEBT**

The following is summary of the changes in short-term debt:

	June 30, 2012	Additions	Retirements	June 30, 2013
2012 Aid Anticipation Certificates	<u>\$ 987,246</u>	<u>\$ -</u>	<u>\$ 987,246</u>	<u>\$ -</u>

For the purpose of providing funds to meet current operating expenses of the District, General Aid Anticipation Certificates of Indebtedness were issued in the aggregate principal amount of \$987,246. The Certificates were issued on December 15, 2011, bearing interest at an annual rate of 2.0%, and matured on September 11, 2012.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 7 RESTRICTED FUND BALANCES**

**Fund Equity**

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the restricted fund balances for the governmental funds.

**A. Restricted for Health and Safety**

Restricted for health and safety represents available resources to be used only to provide for the removal of hazardous substances and other state approved life/health safety projects. Under Minnesota statute, a deficit in this restricted account generates specific future levy authority.

**B. Restricted for Deferred Maintenance**

Restricted for deferred maintenance represents available resources to be used for those approved activities having a useful life of five years or more. Under Minnesota Statute, this restricted account may have a deficit balance in anticipation of aid/levy receipts.

**C. Restricted for Operating Capital**

The District levies taxes and receives state aid to be used for the purchase of equipment, books, and vehicles and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

**D. Restricted for Basic Skills Programs**

In accordance with state statute, this restriction represents available resources dedicated exclusively for meeting the educational needs of pupils who enroll under-prepared for learners of their age.

**E. Restricted for Safe Schools - Crime**

Represents the resources available from the levy to be used for police liaison services, drug abuse prevention program (DARE), gang resistance education training, school security, and other crime prevention and student and staff safety measures.

**F. Restricted for Community Education Programs**

The fund balance restriction represents accumulated resources available to provide general community education programming.

**G. Restricted for Early Childhood and Family Education Programs**

The fund balance restriction represents accumulated resources available to provide services for early childhood and family education programming.

**H. Restricted for School Readiness**

The fund balance restriction represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

**JORDAN PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 7 RESERVED AND DESIGNATED FUND BALANCES (CONTINUED)**

**I. Restricted for Alternative Facilities Program**

Represents the resources for projects based on the criteria of the Alternative Facilities Health and Safety Program.

**J. Restricted for Other Purposes**

Represents amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**NOTE 8 PENSION PLANS**

Substantially all employees of the District are required by State Law to belong to a pension plan administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

**A. Teachers Retirement Association (TRA)**

**1. Plan Description**

All teachers employed by the District are covered by a cost sharing, multiple employer defined benefit pension plan administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

TRA provides retirement benefits as well as death and disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for five consecutive years of allowable service, age, and years of credit at termination of service.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, and further information on benefits provisions. The report may be accessed at the TRA website at [www.tra.state.mn.us](http://www.tra.state.mn.us). Alternatively, a copy of the report may be obtained by writing TRA at Teachers Retirement Association, 60 Empire Drive Suite 400, St. Paul, MN 55103 or by calling (651) 296-6449 or 1-800-657-3853.

**2. Funding Policy**

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 6.00% and 9.50%, respectively, of their annual covered salary while the District is required to contribute at an actuarially determined rate.

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INDEPENDENT SCHOOL DISTRICT NO. 717  
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JUNE 30, 2013**

**NOTE 8 PENSION PLANS (CONTINUED)**

A. Teachers Retirement Association (TRA) (Continued)

**2. Funding Policy (Continued)**

The District is required to contribute the following percentages of annual covered payroll: 6.50% for Coordinated Plan members and 10.00% for Basic Plan members. The contribution requirements of plan members and the District are established and may be amended by State Statute. The District contributions for the years ended June 30, 2013, 2012, and 2011 were \$537,087, \$459,570, and \$417,069, respectively, equal to the required contributions for each year as set by state statute.

B. Public Employees' Retirement Association (PERA)

**1. Plan Description**

All full-time and certain part-time employees of the District (other than teachers) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees' Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA, 60 Empire Drive #200, St. Paul, MN 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

**2. Funding Policy**

Minnesota Statutes Chapter 353 sets the rates for the employer and employee contributions. These statutes are established and amended by the state legislature.

The District makes annual contribution to the pension plans equal to the amount required by State Statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary.

The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.25% for Coordinated Plan members. The District's contributions for the years ended June 30, 2013, 2012, and 2011 were \$157,346, \$146,790, and \$134,408, respectively, equal to the required contributions for each year as set by State Statute.

**JORDAN PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 PENSION PLANS (CONTINUED)**

**C. Defined Contribution Plan**

The District has a retirement plan qualifying under Internal Revenue Code 403(b) for the benefit of all teachers. The District's annual contribution is based on the number of years an individual has taught at the District, with a maximum career contribution of \$20,000.

The District's contributions were \$142,633, \$111,414, and \$110,818, for the years ended June 30, 2013, 2012, and 2011, respectively. The related employee contributions for 2013, 2012, and 2011 were \$338,727, \$298,803, and \$273,640, respectively.

**NOTE 9 OTHER POST EMPLOYMENT BENEFIT PLAN**

**A. Plan Description**

The District operates a single-employer retiree benefit plan ("the Plan") that provides health insurance to eligible employees and their spouses through the District's insurance plan. There are 227 active participants and 13 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

**B. Funding Policy**

Contribution requirements are also negotiated between the District and union representative. The District does contribute an implicit rate subsidy for retired plan members. This is due to the actual cost for retirees being higher than the average per-person premium for the entire group. For fiscal year 2013, the District contributed \$269,975 to the plan.

**C. Annual OPEB Cost and Net OPEB Obligation**

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

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	2013
Annual Required Contribution	\$ 187,194
Interest on Net OPEB Calculation	6,768
Adjustment to Annual Required Contribution	(9,302)
Annual OPEB Cost (Expense)	184,660
Contributions Made	(269,975)
Decrease in Net OPEB Obligation	(85,315)
Net OPEB Obligation - Beginning of Year	150,404
Net OPEB Obligation - End of Year	\$ 65,089

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**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
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JUNE 30, 2013**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the preceding two years were:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
6/30/2013	\$ 184,660	146.2%	\$ 65,089
6/30/2012	165,169	98.7%	150,404
6/30/2011	168,735	82.3%	148,241

**D. Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$1,458,483. The annual payroll for active employees covered by the plan in the actuarial valuation was \$9,618,738 for a ratio of UAAL to covered payroll of 15.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 8.0%, reduced by decrements to an ultimate rate of 5.0% after six years. The UAAL is being amortized as a level dollar amount over 30 years. The remaining amortization period at June 30, 2013 does not exceed 30 years.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 10 JOINTLY GOVERNED ORGANIZATION**

The District is a member of the Minnesota River Valley Special Education Cooperative (MRVSEC). MRVSEC was established with the primary objective to provide specialized services for special education students, as defined by state law, and to provide other programs and services as approved by the Joint Powers Governing Board. The Cooperative was established by six separate member districts. Each member district shares in the cost of the programming, which is paid to the Cooperative in the form of membership fees, reimbursements and other charges for services. The Cooperative is able to recover the cost of its programs through the previously mentioned revenue sources. MRVSEC's financial statements are audited and available upon request for inspection.

Just prior to June 30, 2013 MRVSEC merged with Carver-Scott Education Cooperative to form the Southwest Metro Education Cooperative. The District is a member of the newly formed cooperative.

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

**Federal and State Receivables**

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial. The financial assistance received is subject to audits by the grantor agency.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DRAFT**

**JORDAN PUBLIC SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 717  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2012	\$ -	\$ 1,458,483	\$ 1,458,483	0.0%	\$ 9,618,738	15.2%
7/1/2010	-	1,393,456	1,393,456	0.0%	8,818,894	15.8%
7/1/2008	-	1,341,316	1,341,316	0.0%	8,146,701	16.5%

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**SUPPLEMENTARY INFORMATION**

**DRAFT**

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
SCHEDULE OF CHANGES IN FUND EQUITIES  
YEAR ENDED JUNE 30, 2013**

	Fund Equities June 30, 2012	Revenues	Expenditures	Other Financing Sources (Uses) and Transfers	Fund Equities June 30, 2013
<b>GOVERNMENTAL FUNDS</b>					
General Fund					
Nonspendable	\$ 114,030	\$ -	\$ -	\$ (113,576)	\$ 454
Restricted for Staff Development	-	-	178,057	178,057	-
Restricted for Health and Safety	(72,399)	163,751	150,002	-	(58,650)
Restricted for Deferred Maintenance	180,554	100,452	95,675	-	185,331
Restricted for Operating Capital	8,515	409,354	415,379	-	2,490
Restricted for Learning and Development	-	407,215	476,587	69,372	-
Restricted for Gifted and Talented	-	24,415	31,848	7,433	-
Restricted for Basic Skills	15,460	357,280	331,630	-	41,110
Restricted for Career and Tech. Programs	-	21,137	177,362	156,225	-
Restricted for Safe Schools Levy	(14,175)	60,387	113,525	-	(67,313)
Unassigned	2,463,610	14,863,159	14,557,286	(584,221)	2,185,262
Total General Fund	2,695,595	16,407,150	16,527,351	(286,710)	2,288,684
Food Service Fund					
Nonspendable	15,270	4,869	-	-	20,139
Restricted for Other Purposes	288,008	822,522	813,936	-	296,594
Total Food Service Fund	303,278	827,391	813,936	-	316,733
Community Service Fund					
Restricted for Community Education	4,268	703,114	647,353	-	60,029
Restricted for E.C.F.E.	15,965	191,141	194,154	-	12,952
Restricted for School Readiness	12,217	35,795	47,577	-	435
Restricted for Other Purposes	37,257	115,909	110,493	-	42,673
Total Community Service Fund	69,707	1,045,959	999,577	-	116,089
Capital Projects Fund					
Restricted for Alternative Fac. Program	(286,710)	-	-	286,710	-
Total Capital Projects Fund	(286,710)	-	-	286,710	-
Debt Service Fund					
Restricted for Other Purposes	444,144	1,859,868	1,884,335	-	419,677
Total Debt Service Fund	444,144	1,859,868	1,884,335	-	419,677
<b>TOTAL GOVERNMENT FUNDS</b>	<b>3,226,014</b>	<b>20,140,368</b>	<b>20,225,199</b>	<b>-</b>	<b>3,141,183</b>
<b>FIDUCIARY FUNDS</b>					
Trust Fund					
Restricted for Scholarships	168,236	15,166	22,801	-	160,601
Total Trust Fund	168,236	15,166	22,801	-	160,601
<b>TOTAL FIDUCIARY FUNDS</b>	<b>168,236</b>	<b>15,166</b>	<b>22,801</b>	<b>-</b>	<b>160,601</b>
<b>GRAND TOTAL</b>	<b>\$ 3,394,250</b>	<b>\$ 20,155,534</b>	<b>\$ 20,248,000</b>	<b>\$ -</b>	<b>\$ 3,301,784</b>

**SINGLE AUDIT OTHER REQUIRED REPORTS**

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**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Pass-Through Minnesota Department of Education			
Non-Cash Assistance (Commodities):			
National School Lunch Program	# 10.555	1-0717-000	<u>\$ 57,700</u>
Total Non-Cash Assistance			\$ 57,700
Cash Assistance:			
School Breakfast Program	# 10.553	1-0717-000	25,731
National School Lunch Program	# 10.555	1-0717-000	242,296
Commodity Cash Rebate Program	# 10.555	1-0717-000	413
Special Milk Program for Children	# 10.556	1-0717-000	<u>106</u>
Total Cash Assistance			<u>268,546</u>
Total US Department of Agriculture			<u>326,246</u>
U.S. Department of Education			
Pass-Through Minnesota Department of Education			
Cash Assistance:			
Title I Grants to Local Educational Agencies	84.010		166,479
Title I, Part D - Program for Neglected and Delinquent Children	84.013		51,504
Special Education Grants to States	* 84.027		242,311
Carl Perkins Vocational Education Basic Grants to States	84.048		9,929
Special Education Preschool Grants	* 84.173		6,449
Special Education Grants for Infants and Families with Disabilities	84.181		6,144
Title II - Improving Teacher Quality State Grants	84.367		46,538
ARRA Education Jobs Fund	84.410		<u>32,685</u>
Total Cash Assistance, U.S. Department of Education			<u>562,039</u>
Total Federal Financial Assistance Expended			<u><u>\$ 888,285</u></u>

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013**

**NOTE 1 GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of Independent School District No. 717. The reporting entity is defined in Note 1 to the financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND ON OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Independent School District No. 717  
Jordan, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 717 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Independent School District No. 717's basic financial statements, and have issued our report thereon dated October 21, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Independent School District No. 717's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District No. 717's internal control. Accordingly, we do not express an opinion on the effectiveness of the Independent School District No. 717's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs listed as items 2013-001 through 2013-004 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Independent School District No. 717's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent School District No. 717's Response to Findings**

Independent School District No. 717's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Independent School District No. 717's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Austin, Minnesota  
October 21, 2013

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Independent School District No. 717  
Jordan, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited Independent School District No. 717's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Independent School District No. 717's major federal programs for the year ended June 30, 2013. Independent School District No. 717's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Independent School District No. 717's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Independent School District No. 717's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Independent School District No. 717's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Independent School District No. 717 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-006. Our opinion on each major federal program is not modified with respect to this matter.

Independent School District No. 717's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Independent School District No. 717's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of Independent School District No. 717 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent School District No. 717's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 717's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-006 and 2013-007 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-005 to be a significant deficiency.

Independent School District No. 717's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Independent School District No. 717's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Austin, Minnesota  
October 21, 2013

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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education  
Independent School District No. 717  
Jordan, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 717 as of June 30, 2013 and the related notes to the financial statements and have issued our report thereon dated October 21, 2013.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our study included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the Independent School District No. 717 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as item 2013-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Independent School District No. 717's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Austin, Minnesota  
October 21, 2013

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**PART I: SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Independent School District No. 717.
2. Four material weaknesses in internal control were disclosed during the audit of the financial statements and are listed as findings 2013-001 through 2013-004.
3. No instances of noncompliance material to the basic financial statements of Independent School District No. 717 were disclosed during the audit.
4. Three deficiencies were disclosed during the audit of the major federal award programs and are listed as findings 2013-005 through 2013-007. Two of these deficiencies are considered to be material weaknesses. One of these deficiencies is considered to be a significant deficiency.
5. The auditors' report on compliance for the major federal award programs for Independent School District No. 717 expresses an unqualified opinion.
6. The audit disclosed findings, which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
7. The programs tested as major programs included:

U.S. Department of Education:	
Special Education Cluster:	
Special Education Grants to States	CFDA #84.027
Special Education Preschool Grants	CFDA #84.173
U.S. Department of Agriculture:	
Child Nutrition Cluster:	
Non-Cash Assistance (Commodities)	CFDA #10.555
School Breakfast Program	CFDA #10.553
National School Lunch Program	CFDA #10.555
Commodity Cash Rebate Program	CFDA #10.555
Special Milk Program for Children	CFDA #10.556
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Independent School District No. 717 was not determined to be a low-risk auditee.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**Part II: Findings Related to the General Purpose Financial Statements**

**FINDING: 2013-001 MATERIAL AUDIT ADJUSTMENTS**

- Condition:** The audit firm proposed, and the District posted to its general ledger accounts, certain journal entries to correct misstatements.
- Criteria:** The District should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner.
- Effect:** The potential exists that the financial statements could be materially misstated prior to the posting of the correcting journal entries.
- Cause:** The District has not established controls to ensure that all accounts are adjusted to their appropriate year end balances in accordance with GAAP.
- Recommendation:** We recommend the District continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The auditor will provide the Finance Director the prior year work papers to reference in preparation for next year's audit. The Finance Director will consult with the audit firm if questions arise as to how to prepare a certain journal entry. The Finance Director and Superintendent will review and approve all entries the audit firm proposes prior to recording them.

**Officials Responsible for Ensuring CAP:**

Beth Volk, Finance Director, and Matt Helgerson, Superintendent, are the officials responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date is June 30, 2014.

**Plan to Monitor Completion of CAP:**

The Board of Education and administration will monitor this corrective action plan.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**FINDING: 2013-002 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

- Condition:** The District does have a control in place for the review of the drafted financial statements. However, the District does not have the expertise to ensure all disclosures required by generally accepted accounting principles are included in the annual financial statements. The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the District's internal controls.
- Criteria:** The District should have controls in place to prevent or detect the omission of a material disclosure in the annual financial statements.
- Effect:** The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the District's internal controls.
- Cause:** The District does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.
- Recommendation:** We recommend the District continue to evaluate their internal staff and expertise to determine if further controls over the annual financial reporting are beneficial.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The Finance Director reviews the drafted financial statements and footnote disclosures prior to issuance of the financial statements. This includes comparing information in the financial statements to the UFARS submission. The District does not possess the expertise to ensure all required disclosures are included in the financial statements. As such, the District will continue to rely upon the audit firm for completeness of these disclosures.

**Officials Responsible for Ensuring CAP:**

Beth Volk, Finance Director, and Matt Helgerson, Superintendent, are the officials responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date is June 30, 2014.

**Plan to Monitor Completion of CAP:**

The Board of Education and administration will monitor this corrective action plan.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**FINDING: 2013-003 CONTROLS OVER PAYROLL PROCESSING**

**Condition:** Controls established by the District over the payroll reporting process are ineffective. Nine of forty-one payroll disbursements tested were calculated and paid incorrectly for the pay period selected for testing (underpaid by \$791 out of \$64,912 tested in our sample). In most instances, the payroll error was detected by the client and corrected prior to year end. Supplemental payrolls were issued to correct errors detected by audit procedures and not corrected prior to year-end for the remaining employees. One of forty payroll disbursements tested did not have a signed employment contract on file. Approval for substitute and other miscellaneous pay rates were not documented for five of forty-one payroll disbursements tested. Approval for teaching an extra class was not documented for one disbursement tested.

**Criteria:** The District should have controls in place to prevent or detect a material error in the annual financial statements.

**Effect:** The potential exists that a material error could occur and not be prevented or detected by the District's internal controls.

**Cause:** The District's controls are not adequate to ensure all payroll transactions are appropriate and properly supported.

**Recommendation:** We recommend that miscellaneous pay rates are documented and approved by the Board of Education annually. All contracts, timesheets, and other supporting documents should contain approval from an appropriate supervisor, and be maintained to support the wages paid to employees. All payroll calculations should be well documented, and reviewed and approved prior to processing payroll.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will implement the recommendation.

**Official Responsible for Ensuring CAP:**

Beth Volk, Finance Director, and Matt Helgerson, Superintendent, are the officials responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date is December 31, 2013.

**Plan to Monitor Completion of CAP:**

The Board of Education and administration will monitor this corrective action plan.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**FINDING: 2013-004 CONTROLS AND COMPLIANCE OVER DISBURSEMENT CODING**

- Condition:** Controls established by the District over disbursement coding are ineffective. Three of forty disbursements tested were coded incorrectly in accordance with Uniform Financial Accounting and Reporting Standards (UFARS). Upon detection, all coding errors listed above were corrected by the client and reimbursement requests were adjusted, as necessary.
- Criteria:** The District should have controls in place to prevent or detect a material error in the annual financial statements.
- Effect:** The potential exists that a material error could occur and not be prevented or detected by the District's internal controls.
- Cause:** The District's controls are not adequate to ensure all disbursements are appropriately coded.
- Recommendation:** The District should carefully review all transaction coding to ensure they are in compliance with the Uniform Financial Accounting and Reporting Standards.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will implement the recommendation.

**Official Responsible for Ensuring CAP:**

Beth Volk, Finance Director, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date was September 1, 2013.

**Plan to Monitor Completion of CAP:**

The Board of Education and administration will monitor this corrective action plan.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**Part III: Findings and Questioned Costs – Major Federal Award Programs**

**FINDING: 2013-005 SPECIAL EDUCATION CLUSTER – CFDA #84.027 AND #84.173  
ALL GRANT YEARS  
UNITED STATES DEPARTMENT OF EDUCATION  
PASS THROUGH MINNESOTA DEPARTMENT OF EDUCATION  
NON-PAYROLL DISBURSEMENT APPROVAL**

**Compliance Area:** Activities Allowed/Unallowed and Allowable Costs/Cost Principles

**Condition:** During our testing, we noted one of seven federal Special Education non-payroll disbursements did not have the appropriate supervisory signature.

**Criteria:** Standard internal control practices indicate that all disbursements be approved by an appropriate independent member of management.

**Questioned Costs:** None.

**Context:** The non-payroll expenditure tested without the appropriate supervisor approval appeared proper and was a mileage reimbursement payment for home visits.

**Effect:** The potential exists that expenditures could be incorrectly charged to the federal program code.

**Cause:** Not known.

**Recommendation:** Supervisors should be reminded of the need to approve all grant related disbursements.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement With Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will immediately implement the recommendation.

**Officials Responsible for Ensuring CAP:**

Beth Volk, Finance Director, and Chad Williams, Special Services Director, are the officials responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date was September 1, 2013.

**Plan to Monitor Completion of CAP:**

The Board of Education and administration will monitor this corrective action plan.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**FINDING: 2013-006 CHILD NUTRITION CLUSTER – CFDA #10.553, 10.555, 10.556  
ALL GRANT YEARS  
UNITED STATES DEPARTMENT OF AGRICULTURE  
PASS THROUGH MINNESOTA DEPARTMENT OF EDUCATION  
INELIGIBLE REIMBURSEMENT**

**Compliance Area:** Eligibility

**Condition:** Five of sixty free and reduced eligibility applications tested were misclassified to receive free or reduced meals for the 2012-13 school year. Additionally, one application selected for required verification procedures was misclassified based on results of income documentation.

**Criteria:** The Department of Agriculture, Food and Nutrition Services provides income eligibility guidelines for Child Nutrition Programs. According to OMB A-133, by November 15th of each school year, Districts must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. The District must follow-up on children whose eligibility has changed as a result of verification activities to put them in the correct category.

**Questioned Costs:** \$731

**Context:** The weakness appears to be systematic.

**Effect:** The District received improper reimbursement for meals served to ineligible students.

**Cause:** This was the first year the District used software to determine eligibility of students for free or reduced meals. Data was unintentionally omitted from the eligibility determination software. One student's status was not adjusted as a result of the nonresponse to the District's verification request.

**Recommendation:** We recommend that the District sample the data entry performed at the beginning of the school year and double check the data entry into the computer software. Additionally, we recommend that an independent management review of eligibility changes be performed upon completion of the verification process.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will immediately implement the recommendation.

**Official Responsible for Ensuring CAP:**

Cheryl Schmieg, Food Service Director, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date was September 1, 2013.

**Plan to Monitor Completion of CAP:**

The Board of Education and administration will monitor this corrective action plan.

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**FINDING: 2013-007 CHILD NUTRITION CLUSTER – CFDA #10.553, 10.555, 10.556  
ALL GRANT YEARS  
UNITED STATES DEPARTMENT OF AGRICULTURE  
PASS THROUGH MINNESOTA DEPARTMENT OF EDUCATION  
CONTROL OVER MONTHLY REPORTING**

**Compliance Area:** Reporting

**Condition:** One individual prepares and submits the monthly meals served reimbursement reports without an independent internal review. Reviews were performed by the Finance Director after the reimbursement requests were submitted and paid. No errors in meal counts were noted as a result of audit testing.

**Criteria:** OMB Circular A-133 requires recipients of Federal funds to have appropriate internal controls to prevent, or detect and correct, any material noncompliance in a timely manner.

**Questioned Costs:** None noted.

**Context:** None of the monthly reimbursement requests tested had approval prior to submission.

**Effect:** The potential exists that meal counts could be incorrectly submitted for federal reimbursement.

**Cause:** Not known.

**Recommendation:** The District should designate a knowledgeable individual to review and approve the monthly reimbursement requests prior to submission.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will immediately implement the recommendation.

**Officials Responsible for Ensuring CAP:**

Beth Volk, Finance Director, and Cheryl Schmiege, Food Service Director, are the officials responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date was September 1, 2013.

**Plan to Monitor Completion of CAP:**

The Board of Education and administration will monitor this corrective action plan.

JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

**Part IV: Findings and Questioned Costs – Minnesota Legal Compliance**

See finding 2013-004.

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**JORDAN PUBLIC SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 717  
 SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS  
 YEAR ENDED JUNE 30, 2013**

Comment Reference	Comment Title	Status	If Not Corrected, Provide Planned Corrective Action or Other Explanation
2012-5	Special Education Cluster - Internal Control and Compliance over Jobs Survey Form 1512	Corrected	
2012-6	Special Education Cluster - Control and Compliance over Time and Effort Distribution Records	Corrected	
2012-7	Child Nutrition Cluster - Ineligible Reimbursement	Not Corrected	See current year finding 2013-006.
2012-8	Child Nutrition Cluster - Control and Compliance over Monthly Reporting	Partially Corrected	See current year finding 2013-007.

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**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING  
STANDARDS COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2013**

<b>01 GENERAL FUND</b>	Audit	UFARS	Difference	<b>06 BUILDING CONSTRUCTION</b>	Audit	UFARS	Difference
Total Revenues	\$ 16,407,150	\$ 16,407,126	\$ 24	Total Revenues	\$ -	\$ -	\$ -
Total Expenditures	\$ 16,527,351	\$ 16,527,330	\$ 21	Total Expenditures	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable	\$ 454	\$ 454	\$ -	460 Nonspendable	\$ -	\$ -	\$ -
<i>Restricted:</i>				<i>Restricted:</i>			
403 Staff Development	\$ -	\$ -	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
405 Deferred Maintenance	\$ 185,331	\$ 185,331	\$ -	409 Alternative Fac. Program	\$ -	\$ -	\$ -
406 Health & Safety	\$ (58,650)	\$ (58,650)	\$ -	413 Project Funded by COP	\$ -	\$ -	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -	464 Other Purposes	\$ -	\$ -	\$ -
408 Cooperative Rev.	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
414 Operating Debt	\$ -	\$ -	\$ -	463 Unassigned	\$ -	\$ -	\$ -
416 Levy Reduction	\$ -	\$ -	\$ -				
423 Certain Teacher Programs	\$ -	\$ -	\$ -	<b>07 DEBT SERVICE</b>			
424 Operating Capital	\$ 2,490	\$ 2,490	\$ -	Total Revenues	\$ 1,859,868	\$ 1,859,868	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	Total Expenditures	\$ 1,884,335	\$ 1,884,335	\$ -
427 Disabled Accessibility	\$ -	\$ -	\$ -	<i>Restricted/Reserved:</i>			
428 Learning & Development	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	451 QZAB Payments	\$ -	\$ -	\$ -
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	464 Other Purposes	\$ 419,677	\$ 419,677	\$ -
436 St. Approved Alt. Prog.	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
438 Gifted & Talented	\$ -	\$ -	\$ -	463 Unassigned	\$ -	\$ -	\$ -
441 Basic Skills	\$ 41,110	\$ 41,110	\$ -				
445 Career and Tech, Programs	\$ -	\$ -	\$ -	<b>08 TRUST</b>			
446 First Grade Preparedness	\$ -	\$ -	\$ -	Total Revenues	\$ 15,166	\$ 15,166	\$ -
449 Safe Schools Levy	\$ (67,313)	\$ (67,313)	\$ -	Total Expenditures	\$ 22,801	\$ 22,801	\$ -
450 Pre-Kindergarten	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
451 QZAB Payments	\$ -	\$ -	\$ -	422 Unassigned	\$ 160,601	\$ 160,601	\$ -
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -				
453 Unfunded Sev & Reiremt Levy	\$ -	\$ -	\$ -	<b>09 AGENCY</b>			
464 Other Purposes	\$ -	\$ -	\$ -	<i>Unassigned: Should Always Be -0-</i>			
<i>Committed:</i>				422 Unassigned	\$ -	\$ -	\$ -
418 Committed for Severance	\$ -	\$ -	\$ -				
461 Committed	\$ -	\$ -	\$ -	<b>20 INTERNAL SERVICE</b>			
<i>Assigned:</i>				Total Revenues	\$ -	\$ -	\$ -
462 Assigned	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Unassigned:</i>				<i>Unassigned:</i>			
422 Unassigned	\$ 2,185,262	\$ 2,185,261	\$ 1	422 Unassigned	\$ -	\$ -	\$ -
<b>02 FOOD SERVICE</b>				<b>25 OPEB REVOCABLE TRUST</b>			
Total Revenues	\$ 827,391	\$ 827,391	\$ -	Total Revenues	\$ -	\$ -	\$ -
Total Expenditures	\$ 813,936	\$ 813,935	\$ 1	Total Expenditures	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				<i>Unassigned:</i>			
460 Nonspendable	\$ 20,139	\$ 20,139	\$ -	422 Unassigned	\$ -	\$ -	\$ -
<i>Restricted:</i>							
452 OPEB Liability Not In Trust	\$ -	\$ -	\$ -	<b>45 OPEB IRREVOCABLE TRUST</b>			
464 Other Purposes	\$ 296,594	\$ 296,594	\$ -	Total Revenues	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total Expenditures	\$ -	\$ -	\$ -
463 Unassigned	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
				422 Unassigned	\$ -	\$ -	\$ -
<b>04 COMMUNITY SERVICE</b>							
Total Revenues	\$ 1,045,959	\$ 1,045,955	\$ 4	<b>47 OPEB DEBT SERVICE</b>			
Total Expenditures	\$ 999,577	\$ 999,574	\$ 3	Total Revenues	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				Total Expenditures	\$ -	\$ -	\$ -
460 Nonspendable	\$ -	\$ -	\$ -	<i>Restricted:</i>			
<i>Restricted:</i>				464 Other Purposes	\$ -	\$ -	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
431 Community Education	\$ 60,029	\$ 60,028	\$ 1	463 Unassigned	\$ -	\$ -	\$ -
432 E.C.F.E.	\$ 12,952	\$ 12,952	\$ -				
444 School Readiness	\$ 435	\$ 435	\$ -				
447 Adult Basic Education	\$ -	\$ -	\$ -				
452 OPEB Liability Not In Trust	\$ -	\$ -	\$ -				
464 Other Purposes	\$ 42,673	\$ 42,674	\$ (1)				
<i>Unassigned:</i>							
463 Unassigned	\$ -	\$ -	\$ -				

**STUDENT ACTIVITY FUNDS**

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Independent School District No. 717  
Jordan, Minnesota

### ***Report on the Financial Statements***

We have audited the statement of cash receipts and disbursements of the Student Activity Funds of Independent School District No. 717 as of June 30, 2013, and the related note to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the regulatory basis of accounting described in the Note to the financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in the note to the financial statements, to meet the financial reporting requirements of the Minnesota Department of Education, the financial statements are prepared by the Independent School District No. 717 in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in the note to the financial statements and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Student Activity Funds of Independent School District No. 717 as of June, 30 2013, or changes in financial position for the year then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

We were unable to audit cash receipts because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. We were unable to obtain sufficient appropriate audit evidence about the completeness of cash receipts by other auditing procedures.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effect of the matter discussed in the Basis for Qualified Opinion on Regulatory Basis paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of the Student Activity Funds of Independent School District No. 717 as of June 30, 2013, and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in the note to the financial statements.

**CliftonLarsonAllen LLP**

Austin, Minnesota  
October 21, 2013

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2013**

	Balance 6/30/2012	Receipts	Disbursements & Transfers Out	Balance 6/30/2013
Baseball	\$ 6,098	\$ 14,529	\$ 13,229	\$ 7,398
Basketball, Boys	7	1,750	579	1,178
Basketball, Girls	4,178	2,573	2,199	4,552
Class of 2013	3,078	6,215	9,293	-
Class of 2014	(13)	2,433	-	2,420
Class of 2015	-	1,917	1,266	651
Cross Country	150	-	-	150
Cheerleading	1,907	16,746	14,457	4,196
Football	6,390	9,736	5,651	10,475
Golf	1,459	3,335	3,124	1,670
J.A.M.S (Middle School)	-	708	708	-
Music Activities	8,574	46,842	27,447	27,969
National Honor Society	229	257	202	284
New York Fashions	255	-	-	255
Prom	3,757	8,330	8,912	3,175
SADD	174	163	151	186
Speech	1,220	1,075	1,555	740
Spanish Club	18,128	18,771	27,756	9,143
Softball	2,147	31,041	31,143	2,045
Student Athletic Association	6,902	30,649	30,082	7,469
Track	1,419	8,342	2,685	7,076
Tennis	-	500	-	500
Volleyball	-	8,724	1,920	6,804
<b>Grand Total</b>	<b>\$ 66,059</b>	<b>\$ 214,636</b>	<b>\$ 182,359</b>	<b>\$ 98,336</b>

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
STUDENT ACTIVITY FUNDS  
NOTE TO STUDENT ACTIVITY FUND FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

Student activity fund transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students. These programs and activities are not offered for school credits nor required for graduation. Activities are generally conducted outside of school hours. The content of the activities is determined primarily by students, under the guidance of a staff member or other adult.

Student activities are to be self-sustaining with all expenses paid by dues, admissions, or other student fundraising events.

The accounts of the Student Activity Fund are maintained, and the accompanying financial statements have been prepared, on the regulatory basis of accounting prescribed or permitted by the Minnesota Department of Education. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Student Activity bank deposits are covered by deposit insurance or were properly collateralized.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE  
MANUAL FOR ACTIVITY FUND ACCOUNTING**

Board of Education  
Independent School District No. 717  
Jordan, Minnesota

**Report on Compliance**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of cash receipts and disbursements of the Student Activity Funds of Independent School District No. 717 as of and for the year ended June 30, 2013, and the related note to the financial statements, which collectively comprises the basic financial statements, and have issued our report thereon dated October 21, 2013. We expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statements are prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Department of Education, which differs from accounting principles generally accepted in the United States of America. In addition, our report on the regulatory basis of accounting is qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records.

The Manual for Activity Fund Accounting, issued by the Minnesota Department of Education, provides uniform financial accounting and reporting standards for student activities. We have performed auditing procedures to test compliance with the provisions of this manual.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Manual for Activity Fund Accounting*, except as described in the Schedule of Findings and Responses as item 2013-008. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions.

The District's written response to the legal compliance finding identified in our audit is described in the Schedule of Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Manual for Activity Fund Accounting* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Austin, Minnesota  
October 21, 2013

**JORDAN PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 717  
SCHEDULE OF FINDINGS AND RESPONSES  
STUDENT ACTIVITY FUNDS  
JUNE 30, 2013**

**FINDING: 2013-008 DISBURSEMENT SUPPORTING DOCUMENTS**

Two of twenty-five student activity disbursements tested were not supported by an invoice, receipt, or other supporting documentation to validate the expenditure.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will obtain proper supporting documentation and approval for all student activity expenditures prior to disbursement.

**Official Responsible for Ensuring CAP:**

Beth Volk, Finance Director, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date was September 1, 2013.

**Plan to Monitor Completion of CAP:**

The Board of Education and administration will monitor this corrective action plan.

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